

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1130 - HB 1173

March 29, 2021

SUMMARY OF BILL: Creates the *Tennessee Local Education Capital Investment Act*. Authorizes a local education agency (LEA), with a minimum average growth of two percent in average daily membership (ADM) over the immediately preceding five fiscal years, to elect to be a “Tennessee rapid growth school district” (RGSD) for purposes of receiving a proportionate share of sales and use tax collections within the county where the RGSD is located. Establishes distribution formulas based on the amount of ADM growth of the RGSD and a maximum annual distribution available to each LEA of \$7,000,000. Requires any distribution to be utilized exclusively for public school-related debt service or capital improvements.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$21,414,500/FY21-22 and Subsequent Years

Increase Local Revenue - \$21,414,500/FY21-22 and Subsequent Years

Assumptions:

- This legislation will result in state sales and use tax revenue being reallocated from state government to local government. Local governments receiving such allocations will be required to utilize all funds on either debt service for, or capital improvement to, public schools.
- According to the Department of Education (DOE), there are currently 35 school systems that would qualify for the tax revenue allocation.
- While allocations made to individual schools will vary, based on information provided by the Department of Revenue regarding applicable county collections, weighted full-time equivalent average daily attendance, and school ADM, the average payable amount per school is estimated to be \$611,843.
- It is assumed that all local governing bodies who are eligible would take the necessary steps to ensure compliance with this legislation and qualify for the tax revenue allocation.
- The increase in state expenditures and corresponding increase in local revenue, in FY21-22 is estimated to be \$21,414,505 (\$611,843 x 35).
- The amount of increase in state expenditures and corresponding increase in local revenue will fluctuate from year to year as additional school districts become RGSDs, as existing RGSD’s ADM growth and weighted full-time equivalent average daily attendance fluctuates, as existing RGSDs become ineligible to receive allocations due to

decreases in ADM growth, and as sales and use tax collections from within any RGSD's county fluctuates.

- For the purposes of this fiscal analysis it is assumed that the estimated impact of FY21-22 will be experienced in all subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The script is cursive and fluid.

Krista Lee Carsner, Executive Director

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